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FOREIGN AGRICULTURE ECONOMICS

URUGUAY'S AGRICULTURE
Situation and Outlook

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SUMMARY

Uruguay's agricultural production rebounded sharply in 1961 with the good growing weather. Total farm production, depressed for two years by flood and drought, rose almost one-third over 1960. Main crop and livestock output rose close to the levels attained prior to 1959 and 1960. Production improved in almost all areas; major gains were made in meat production and in grain, oilseed and sugar output. Both quality and quantity of the wool clip were also up. The harvest was largely completed in early 1961.

Strengthened by the highest level of wool shipments in a decade, total exports were larger during 1961 than a year earlier. Exports are expected to continue at about the same level in 1962. Production from the 1961-62 crop, now being harvested, is expected to be slightly larger than year-earlier levels.

This increase in output will return Uruguay to its position as a largely self-sufficient food producer. It also should encourage expansion in exports of certain agricultural products during 1962.

Economic Research Service U. S. Department of Agriculture

GENERAL ECONOMIC CONDITIONS

The Uruguayan economy in the period January-September 1961 showed mixed tendencies. On the one hand, agricultural production improved greatly due to favorable weather conditions. Also, wool exports, aided by reductions in export taxes, increased substantially.

On the other hand, industrial production declined, particularly in the construction industry and related activities. Retail sales progressively dropped off. The slowdown in the industrial sector was largely brought about by deflationary measures taken by the Uruguayan authorities early in 1961.

Inflationary pressures, although yet present, have slowed down markedly, compared with the rise in 1959 and 1960. Moreover, as expected, overall demand softened. This resulted in smaller import expenditures. In addition, the lessened expectation of further price increases caused industries to draw down on already existing large inventories.

The problem immediately ahead for Uruguay is to stimulate economic activity to a level compatible with price stability.

COMMODITIES

Livestock and Livestock Products

Uruguay's livestock industry, a dominant force in the economic life of the country, continued to improve during 1961. Except for foreign trade, advances were registered in every major sector of the industry. Total volume of production rose to the highest level in a decade. Domestic per capita meat consumption, highest in the world in 1960, increased slightly during 1961. Cattle numbers were up slightly and are expected to continue this trend through 1962.

Foreign trade in wool picked up considerably, but exports of meat and meat byproducts slackened off from the high levels of 1960. The government continued its assistance to farmers in an effort to increase livestock production and productivity.

Meats -- Total meat production increased slightly in calendar 1961 from 1960. Estimated total production of 404 thousand metric tons includes 332 thousand tons of beef, 50 thousand tons of lamb and mutton, and 22 thousand tons of pork. The larger supply of beef brought lower meat prices and higher domestic consumption.

The situation in the meat export industry was less favorable than a year earlier. Although the supply of cattle was adequate, the sharp decline in beef prices in Western Europe hurt export sales. Shipments declined during the first three quarters of 1961 from the high levels of a year earlier. Cattle slaughter for export during the fourth quarter decreased sharply.

Table 1.--Uruguay: Production of selected agricultural commodites, average 1952/53-1954/55, annual 1957/58-1960/61

Commodity	1952/53-1954/55 average	1957/58	1958/59	1959/60	1960/61	1961/62 1/
	thousand metric tons					
Grains						
Wheat	711	598	359	182	413	420
Corn	205	276	133	2/85	2/197	n.a.
Rice, rough	61	58	49	53	54	55
Oats	44	52	33	22	64	n.a.
Barley	34	31	25	29	49	n.a.
Livestock products						
Beef	300	220	234	259	322	332
Pork	20	18	21	22	22	22
Lamb & mutton	60	48	50	47	59	50
Milk	556	703	719	622	731	767
Wool	89	90	80	72	82	84
Oilseeds						
Sunflower seed	95	131	48	72	98	n.a.
Flaxseed	79	73	72	50	67	90
Potatoes, white	59	79	114	67	104	105
Sugar, cent. raw	24	2/33	2/35	2/16	2/33	43

1/ Preliminary estimates. For 1961-62 production, main crops are harvested in late 1961 and early 1962; 1961-62 livestock production is for calendar year 1961. 2/ Revised. n.a. - Not available.

In November Uruguay removed the 5 percent retention tax on meat exports to ease the difficult position of the export meat packers. Since the outlook in 1962 is for slightly larger livestock production, meat exports should also rise.

Wool -- Better pastures for sheep raising helped boost the 1960 wool clip 14 percent to 82 thousand metric tons. The quality of the wool clip was good. The 1961 clip, which is being completed, is expected to total slightly more than the 1960 clip. Its condition is also expected to be good.

Wool exports were up 55 percent during 1961, reflecting strong demand. The carryover into that year included all of the 1960 clip plus a part of the 1959 wool clip. The government's decision at the close of 1960 to reduce the retention tax on wool exports, combined with an improvement in world prices, resulted in heavy wool sales in the first quarter of 1961. Stocks on hand at the beginning of the fourth quarter of 1961 were considerably below those of the year earlier.

On August 29, 1961, the Uruguayan Government increased the retention tax on greasy wool exports by approximately 7 percent. This revision was necessary, since, under Uruguayan law, the minimum export tax on wool is equivalent to 25 percent of the market value of the product. With rising wool prices, the tax rate fell below the minimum prescribed by law. The new retention tax of 32 pesos per ten kilos brings this relationship back into line.

Hides and Skins -- Output of hides and skins is slightly above a year earlier. Most of the gain is expected to move into the export market. A small increase in production and exports can be expected during 1962.

Milk -- Better pastures, increased use of feed grains, and increased cattle numbers accounted for an expected 5 percent increase in milk output in calendar 1961. Production is expected to increase slightly next year.

Egg production rose in 1961 compared with 1960 as the number of commercial poultry farms increased and producers expanded the use of improved production practices. Estimated output of 644 million eggs is 39 percent higher than the preceding year.

The large supply of eggs resulted in lower prices and helped increase consumption substantially. The outlook for 1962 is for a large reduction in egg output.

Grains

Grain production doubled in 1960-61 and totalled 777 thousand metric tons. The increase is chiefly the result of favorable growing conditions throughout the season and larger acreage.

Wheat -- Both in acreage and value, wheat is the most important field crop in Uruguay. Adverse weather conditions lowered output during the two years prior to 1961 as intermittent rains and heavy flooding during 1959 and a prolonged drought in early 1960 reduced wheat plantings. During these years imports of wheat supplemented domestic needs.

With improved weather conditions later in 1960, a larger acreage was planted for the 1960-61 wheat crop. This, coupled with higher yields, helped boost production to 413 thousand metric tons, more than double the previous year's crop. This present level, however, is considerably below that of a decade ago and is not quite sufficient for present consumption requirements.

Government policy has had a significant impact on Uruguayan wheat production, expecially since the late 1940's. Up until that time, Uruguay was normally self-sufficient in wheat; in some years, there was a surplus for export, and in others, there was a need for imports. The producer price for wheat was set by the government at a low level to insure the sale of bread at low prices.

Table 2.--Uruguay: Wheat acreage, production and trade, average 1935-39, 1945-49, 1950-54, annual 1950-1961

Period or year	Acreage	Production	Trade	
			Exports	Imports
	1,000 hectares	1,000 m.t.	1,000 m.t.	1,000 m.t.
Average:				
1935-39	490	365	84	6
1945-49	429	357	51	60
Annual:				
1950	496	435	8	-
1951	546	478	89	-
1952	502	463	198	-
1953	749	816	66	-
1954	773	854	304	-
Average:				
1950-54	613	609	133	-
Annual:				
1955	796	849	497	-
1956	688	589	484	-
1957	778	598	173	-
1958	691	359	301	-
1959	293	182	59	-
1960	522	413	-	196
1961	502	420	-	

Production on crop year basis, i.e., 1960 wheat crop was harvested in late 1960 and early 1961. Trade on calendar year basis. 1 hectare = 2.471 acres. Trade Source: Uruguayan Export-Import Control Office.

Since wheat was the only grain that had such a ceiling price, producers were thus encouraged to sow other cereals which were sold at higher prices on the free market. As a result, the area sown to wheat did not grow in relation to domestic needs, and it actually declined slightly. The situation was further aggravated by poor growing conditions. Insect damage brought short wheat crops in the mid-1940's, causing Uruguay to import wheat at high prices.

The government faced with the prospect of increased dependence on wheat imports took steps in 1948 to augment domestic wheat production by placing price supports on wheat. At the same time, low bread prices to consumers were maintained through a subsidy plan.

Farmers were quick to respond to the favorable guaranteed price. Wheat acreage and production expanded sharply. Planted area increased from .5 million hectares in 1950 to .75 million hectares in 1953 as former pasture land was turned under for production of wheat. Likewise, production almost doubled during this period, moving from 435 thousand metric tons in 1950 to 816 thousand tons in 1953. Output rose to the point where wheat became an important export commodity, averaging 352 thousand metric tons in 1954-58 and reaching a high of 497 thousand tons in 1955.

Under the price support arrangement, the Bank of the Republic, a government agency, held a monopoly on wheat buying and selling operations. The bank bought wheat from producers at a price determined by the government. In turn, the bank sold the wheat to millers at a lower price with the government absorbing the difference. Wheat quotas and sales prices to flour mills were fixed by the government. It likewise set maximum selling prices for flour and bread to the consumer.

While the government's wheat operations had a favorable effect on consumers and producers, the cost of the subsidy was a sizeable drain on government revenues. Over time, this became an increasing burden. Pressures for change mounted.

The first major change in government policy came in 1960. Prior to the harvesting of the 1960-61 wheat crop, the government suspended its producer price support program for wheat. In November 1960, the government reverted to the free marketing of wheat. Thus, the assistance given wheat producers and consumers, which had been in force for more than a decade, came to an end.

Farmers reacted quickly to these changes. Lacking a government guaranteed price and unsure of conditions in a free market, they planted less wheat in 1961 than would normally be expected. Wheat acreage in 1960-1961 was 15 percent less than the 1950-54 average and 24 percent lower than in 1958-1959. Some of the land formerly in wheat has gone into the production of sugarcane and sugarbeets, where guaranteed producer prices are in effect. It is expected that much of the remaining land will return to its earlier use as pasture for livestock.

The return to the free marketing of wheat and decontrol of bread prices brought more than a 50 percent increase in the retail price of bread. Although this increase in price is substantial, total wheat consumption in Uruguay is not expected to decline, as bread is an important item in the diet, and domestic needs will increase with population growth.

In the light of the current uncertainties in Uruguay with respect to wheat production, the outlook for the next several years would be for production to meet domestic consumption requirements. Should changes occur in the domestic or international situation, Uruguay could well return to a position of wheat exporter.

Corn -- Corn output of 197 thousand metric tons in 1960-61 was more than double the level of a year earlier. But, this was lower than the recent peak production of 1957-58. Large production increases are questionable in the future as the climate is not entirely suited for corn cultivation. Oats and barley output, also favored by good weather, were well above the 1959-60 levels. The rice harvest was up 10 percent to 54 thousand metric tons. Consumption is down, possibly the result of larger meat and vegetable supplies for domestic consumption. With emphasis on increased output, it is likely that export availability of rice will expand in the future.

Oilseed Crops

Oilseed production provides Uruguay with the major part of domestic fats and oils requirements and, in addition, flaxseed products furnish a steady source of export earnings. Despite lower acreage in 1960-61, total oilseed output rose by one-third, and amounted to 172 thousand metric tons. Production of sunflower seed, the principal edible oil crop, increased to an estimated 98 thousand metric tons in 1960-61. Sunflower oil is consumed locally and generally does not enter into foreign trade.

Flaxseed production rose to 67 thousand metric tons in 1960-61. Larger supplies of flaxseed for crushing will boost linseed oil production in 1961 to around 26 thousand metric tons compared with 16 thousand tons in 1960.

The flaxseed crop should increase in 1961-62 as almost 50 percent additional acreage has been planted. The seeding of the larger acreage was encouraged by the issuance of a decree by the National Council of Government on January 10, 1961, which reduced the taxes applied on exports of linseed oil and linseed cake and meal. Exports are larger this year and are expected to increase in 1962.

Sugar

Sugarbeets are the most important source of locally produced sugar, accounting for three-fourths of total output. Sugarcane provides the other fourth. Production in 1960-61 was double that of the previous year returning to higher levels of earlier years. Output totalled 33 thousand metric tons of raw sugar. With good growing conditions and substantially increased acreage the 1962 crop is expected to continue this upward trend. The planting of the larger acreage this year is in part attributed to an increased government subsidy for beets and the lack of a government guaranteed price for wheat.

Domestic sugar production now accounts for more than one-fourth of local requirements and may soon provide one-third. Increased production of both types of sugar is being encouraged by the government and industry alike in an effort to put Uruguay closer to a self-sufficient basis. Reduced sugar imports is the long-range goal. The increase in output may be less rapid than desired, however, as expansion of production is dependent upon increased irrigation facilities and the building of a new sugarcane refining mill.

Fruits and Vegetables

Uruguay's fruit harvest increased in 1961 over a year earlier. Citrus production was up, but was lower than 1959 output, which was one of the best on record. The 1962 citrus crop is expected to be larger as more trees come into bearing. Most of the harvest is consumed locally. The apple crop was smaller in 1961, but new plantings should raise output in the future. Uruguay hopes to develop a small export trade in apples. A small shipment was made to the United States in the last year. The grape harvest was up sharply in 1961 over 1960 with most of the crop going into wine production.

With good harvests, fresh vegetables were in plentiful supply throughout the year. Consumption of potatoes increased over 1960 as output rose during the year. Imports of potatoes for seed and for human consumption help supplement domestic production. Decreased sweet potato acreage resulted in a smaller crop.

FOREIGN TRADE

Exports

Agricultural products are the most important part of Uruguayan exports. Livestock products comprise over three-fourths of the value of total exports with wool the leading single item. Meat and meat products and hides and skins are important exports as are inedible oilseed products. Wheat was formerly a major export item, but largely because of poor growing conditions in recent years Uruguay became a heavy net importer of wheat.

Although Uruguay trades with many Western Hemisphere countries, Western Europe has been Uruguay's chief market, taking over half of its exports. Within that region, the principal purchasers are the United Kingdom, the Netherlands, and West Germany. The United Kingdom is the main meat buyer and a large buyer of wool. The Netherlands also takes a large volume of wool in addition to a large share of vegetable oil exports. West Germany's chief import from Uruguay is meat.

Other traditional trading countries include the United States, the second largest market for Uruguayan products. Wool and meats are the principal U.S. imports. The Sino-Soviet bloc nations are not normally heavy traders with Uruguay. However, in 1958 and 1959, increased participation by this group in Uruguay trade resulted in heavier exports of wool to these nations in exchange for petroleum and other goods.

The value of Uruguayan exports in 1960 increased by more than $31 million compared with the previous year. Shipments of meat and meat by-products together with heavier wool exports during the fourth quarter accounted for most of the rise. The once important wheat exports shrank to nothing.

Table 3.--Uruguay: Exports of principal agricultural products, average 1954-58, annual 1959, 1960

Commodity	1954-58 Average		1959		1960	
	Quantity	Value	Quantity	Value	Quantity	Value
	Metric tons	1,000 dollars	Metric tons	1,000 dollars	Metric tons	1,000 dollars
Wool						
Raw	51,439	72,357	34,966	34,354	34,961	45,084
Tops	11,442	27,636	11,222	19,894	9,645	21,740
Other forms	1,911	3,513	2,845	3,330	3,953	4,770
Total		103,506		57,578		71,594
Hides, skins, and bristles	25,220	13,917	18,814	10,044	32,101	15,843
Meat and by-products	48,368	23,395	34,843	18,509	70,394	30,795
Wheat, including flour	352,394	24,538	59,256	3,247	-	-
Linseed oil	23,116	4,634	21,495	4,954	19,247	4,715
Other exports		12,122		3,466		6,454
Total exports		182,112		97,798		129,401

Sources: Uruguayan Export-Import Control Office, Bank of the Republic of Uruguay, Banco Commercial.

There was some change in the direction of exports. The Sino-Soviet bloc substantially reduced its purchases of wool and consequently its share of total exports dropped from 17 percent to 8 percent. On the other hand, the United States and Western European countries made larger purchases from Uruguay and returned to their former place of importance in Uruguay's trade pattern.

The value of exports continued to expand in the first three quarters of 1961. The most favorable development was the continued high level of wool exports, which began in late 1960. This had a significant impact on the total value of exports which increased approximately $36 million over the value during the first three-quarters of 1960. The larger wool sales were due to a carryover into that year of all of the 1960 and part of the 1959 wool clip. During the wool marketing year of October 1960-September 1961, the United Kingdom was the largest purchaser of Uruguayan wool. The United States was the second largest buyer and the Netherlands was third.

But, while wool sales were good, meat exports fell from the high levels of 1960. The export meat trade during early 1961 was plagued by packing plant strikes. In addition, world meat prices have also slowed export sales. Nevertheless, the total value of exports in 1961 is expected to be much greater than in 1960.

Imports

In contrast to its exports, Uruguay's imports consist mainly of industrial products. However, some agricultural products are imported to supplement domestic production. Chief among these imports are tobacco, cotton, sugar, and yerba maté. In 1959 and 1960, low domestic production necessitated imports of wheat.

Most of Uruguay's agricultural imports come from Western Hemisphere sources. Brazil is the prime source of sugar and yerba maté; it also ships quantities of tobacco. The United States is an important supplier of tobacco. It was also the main source of Uruguay's wheat imports.

In 1959, Uruguay entered into an agreement with Argentina for a loan of 100,000 metric tons of wheat to be repaid in kind in calendar year 1960. These wheat shipments, made during 1959 and 1960 are in addition to the imports listed in Table 4 under import statistics. Repayment of the loan in 1960 was delayed due to the poor harvest from the 1959 crop.

Uruguayan dependence upon imports in 1961 decreased. Two developments had a significant bearing on this change. Prior to this year, there was considerable speculative purchasing of imported goods as a hedge against domestic inflation. With a lessening of these inflationary pressures in 1961, this type of purchasing was greatly reduced and needs were partly met through a paring down of the already existing large inventories. In addition, the return to a largely self-sufficient position in grain production alleviated the need for substantial wheat imports.

AGRICULTURAL DEVELOPMENT PROGRAMS

The Uruguayan Government has initiated several projects aimed at increasing agricultural productivity, especially in the livestock industry. Through a loan in 1960 of $7 million from the World Bank, a pilot demonstration program was established whereby farmers are receiving economic and technical assistance towards improvement of pastures. Demonstrations of improved methods of pasture care have interested farmers and it is expected that within the next year several hundred thousand hectares will be covered by this plan.

Another program was developed later during 1960, to promote general agricultural development. The sources of funds for this project, estimated to cost $7 million in the first year, are export taxes on agricultural products. The development plan calls for facilitating the import and increasing the use of fertilizer and seed, assisting in the purchase of

Table 4.--Uruguay: Imports of principal agricultural products, average 1954-58, annual 1959, 1960

Commodity	1954-58 Average		1959		1960	
	Quantity	Value	Quantity	Value	Quantity	Value
	Metric tons	1,000 dollars	Metric tons	1,000 dollars	Metric tons	1,000 dollars
Cotton, raw	7,775	5,944	9,211	6,823	7,603	5,225
Sugar, raw	75,568	7,535	71,838	6,046	61,920	1/4,959
Tobacco	3,691	4,600	6,187	9,480	3,917	4,439
Yerba maté	26,075	7,275	30,134	7,854	13,558	2,934
Wheat	-	-	-	-	195,786	14,335
Other imports	-	2/199,046	-	2/129,797	-	210,924
Total imports		2/224,400	-	2/160,000	-	242,816

1/ Includes value of small amounts of refined sugar imports. 2/ Figure adjusted to include petroleum imports.
Sources: Uruguayan Export-Import Control Office, Bank of the Republic of Uruguay, Banco Commercial

equipment for building water reservoirs, and raising of early-maturing cattle. Also included are funds to develop local research and extension facilities and to undertake a host of other activities designed to improve agricultural productivity.

The general development program is expected to be continued for another year. Reaction among producers has been favorable, and greater productivity in agriculture can be expected as a result of these programs.

OUTLOOK

The outlook is favorable for Uruguay's agriculture in 1962. Total production is expected to be slightly more than in 1961. And, given normal weather conditions, overall output should continue to rise steadily in the next few years. The livestock industry will probably record the greatest part of the expected increase in agricultural production. This will result mainly from the impetus given by the government towards increased productivity in that industry, such as improved pastures, and the movement of former wheat land back into pasture. Grain production in 1962 is expected to be about equal 1961 output.

Agricultural trade, in general, is not expected to change significantly in 1962. With the wheat loan from Argentina still outstanding, Uruguay is not likely to move back to its position as a wheat exporter, at least for a few years. Meat exports are likely to rise, however. On the import side, Uruguay can be expected to continue to import tobacco, raw cotton, sugar, and seed potatoes to meet domestic requirements.

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